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FISCAL IMPACT REPORT

SPONSOR: Thompson DATE TYPED: 2-24-03 HJR 26
 SHORT TITLE: Nonprofit Organization Property Taxes, CA SB _____
 _____ ANALYST: Neel

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
		See Narrative		

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC files

No Responses Received From:

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

House Joint Resolution 26 proposes to amend the state to exempt, from property taxation, property of:

“...fraternal societies, orders or associations granted an exemption from federal income taxation pursuant to Section 501(c)(8) or (10) of the Internal Revenue Code of 1986, as amended, and the property of veterans’ posts, organizations, auxiliary units or societies of such posts or organizations or other associations of past or present members of the armed forces of the United states that have been granted an exemption from the federal income taxation pursuant to Section 501(c)(19) i or (23) of the Internal Revenue Code of 1986, as amended.”.

FISCAL IMPLICATIONS

TRD notes the following fiscal impact:

The vote would impose *no fiscal impacts*. However, primary impact of enacting legislation, if approved by voters, would *shift a portion of the property tax burden from entities benefiting from the exemption to entities that do not via property tax rate increases*. Detailed statistics are not available to the Department regarding effects of the proposed measure on taxable value by county. However, representatives of Bernalillo County which contains approximately 26 percent non-residential tax base¹ say the proposed measure would decrease their net taxable value by approximately \$3.2 million. Hence the statewide net taxable value of this property could be 3.85 times the Bernalillo total, or roughly \$12.4 million. This figure, multiplied by the 28.8 mill statewide average nonresidential property tax rate, suggests roughly \$353,000 in property taxes are currently paid by nonprofit entities that would benefit from the exemption. Hence, if enacted, enabling legislation would likely shift the burden of paying approximately \$353,000 in property taxes – roughly .04 percent of the current \$825 million total – to entities not subject to the exemption.

SN/njw

¹ Excluding properties subject to oil, natural gas and copper ad valorem taxes.